

# Solar power price slump casts shadow on India's green future

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Cut-throat competition has driven prices down to unsustainable levels, undermining the booming sector's viability, according to experts.

After the United States withdrew from the Paris climate deal last week, India said it would stick to its huge [renewable energy](#) programme.

India is the headquarters of an international [solar energy](#) alliance and Prime Minister Narendra Modi is keen to reinforce the notoriously polluted country's green credentials.

But the price slump could hinder India's efforts to meet its solar [energy](#) goals and limit temperature-raising emissions.

Delays in generating more electricity also mean that nearly 250 million Indians without power will remain in darkness, analysts said.

Indian authorities hold regular auctions for power supply companies and the most recent, in May, saw a bid of 2.44 rupees—less than four US cents—per kilowatt hour.

That was a record low for India at a fifth of the price at the start of the decade and energy minister Piyush Goyal called it a "green future".

The price is cheaper than for coal-powered electricity, which overwhelmingly dominates the power grid.



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However, the effect of the falling cost of solar modules, cheaper financing, aggressive competition and a surplus power supply in some states has been to unleash chaos, with companies and state governments clamouring for suppliers to match the new, low prices.

"Prices have come down too much, too soon and that doesn't bode well for the overall health of the sector," said Vinay Rustagi, managing director of renewable energy consultancy Bridge to India.

## **Solar 'curse'**

"In the past 17 months, tariffs are down nearly 50 percent and this is leading to buyer's remorse for projects already built and under

development," he added.

"There's a reasonable chance that these projects will face some trouble in the future."

Modi turned to renewable energy to meet the vast needs of an economy that grew by 7.1 percent last year.

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It also needs renewable energy to meet its 2015 Paris commitment to reduce emissions relative to gross domestic product by up to 35 percent by 2030 from 2005 levels.

The state governments of Jharkhand, Andhra Pradesh and Haryana have refused to sign purchase agreements to buy power at the rates of 4-5.50 rupees a unit reached at auction over the past year, hoping to secure a cheaper deal.

This is "creating uncertainty," said Rustagi.

"Ethically we shouldn't do that," said Sanjay Sharma, general manager at

the state-run Solar Energy Corporation of India which conducted the latest auctions.

He warned that the government could "lose the confidence of the foreign bidder who is investing in India."

Critics also question if the new contract winners can provide low price electricity and remain viable.

A day after India saw its new cheap solar prices, Amplus Solar founder Sanjeev Aggarwal was bombarded by clients asking him to slash rates to match the new [prices](#).

"People are falling over each other to grab a piece of the pie, but the question is if they can ever deliver at these rates," Aggarwal told AFP.

Sumant Sinha chief executive of ReNew Power, one of the largest Indian renewable [power](#) companies and a losing bidder in the latest auctions, predicted a "winners curse."

"Extremely low tariffs don't help anyone. Ultimately people have to raise debt financing, banks have to be brought on board, all of that looks very dicey at these levels," Sinha said.

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